

SENATE BILL No. 338

By KPERS Select Committee

1-25

1 AN ACT concerning retirement and pensions; enacting the Kansas public
2 employees retirement system act of 2014; providing terms, conditions,
3 benefits and requirements related thereto for certain new members and
4 existing members; relating to benefits and contributions; election for
5 certain existing members; elimination of cap on increase in employer
6 contributions and service credit purchases; amending K.S.A. 2011
7 Supp. 74-4914d and 74-4920 and repealing the existing sections; also
8 repealing K.S.A. 74-4919a, 74-4919g, 74-4919i, 74-4919k, 74-4919n,
9 74-4919p, 74-4919q, 74-4919r and 74-4919s and K.S.A. 2010 Supp.
10 74-4914d, as amended by section 1 of chapter 98 of the 2011 Session
11 Laws of Kansas and 74-4920, as amended by section 4 of chapter 98 of
12 the 2011 Session Laws of Kansas and K.S.A. 2011 Supp. 74-4919h, 74-
13 4919j, 74-4919l, 74-4919m, 74-4919o, 74-4919u and 74-4919v.

14
15 *Be it enacted by the Legislature of the State of Kansas:*

16 New Section 1. (a) The provisions of sections 1 through 19, and
17 amendments thereto, shall be known and may be cited as the Kansas
18 public employees retirement system act of 2014.

19 (b) This act applies to any individual who is:

20 (1) First hired on and after January 1, 2014, by a participating
21 employer and who would otherwise qualify for membership in the Kansas
22 public employees retirement system, K.S.A. 74-4901 *et seq.*, and
23 amendments thereto;

24 (2) any active or inactive nonvested member of the Kansas public
25 employees retirement system on January 1, 2014, including a member of
26 the legislature. Such active nonvested members are required to become
27 members of the plan established under section 3, and amendments thereto,
28 and shall make an election as provided in section 17, and amendments
29 thereto. Such inactive nonvested members are required to become
30 members of the plan established under section 3, and amendments thereto,
31 and shall make an election as provided in section 17, and amendments
32 thereto, only after reemployment in a covered position;

33 (3) any individual:

34 (A) Who was a member of the Kansas public employees retirement
35 system prior to January 1, 2014, but was not an active or inactive member
36 of the Kansas public employees retirement system on January 1, 2014;

1 (B) who is hired on or after January 1, 2014, by a participating
2 employer; and

3 (C) who would otherwise qualify for membership in the Kansas
4 public employees retirement system, K.S.A. 74-4901 *et seq.*, and
5 amendments thereto;

6 (4) (A) a vested member of the legislature who filed an election
7 pursuant to the provisions of K.S.A. 74-4992, and amendments thereto,
8 prior to July 1, 2013;

9 (B) a vested member of the legislature who failed to file an election
10 pursuant to the provisions of K.S.A. 74-4992, and amendments thereto,
11 prior to July 1, 2013; and

12 (C) a member of the legislature who first serves in such position on or
13 after July 1, 2013.

14 (c) This act does not apply to members of the Kansas police and
15 firemen's retirement system, K.S.A. 74-4951 *et seq.*, and amendments
16 thereto, and the retirement system for judges, K.S.A. 20-2601 *et seq.*, and
17 amendments thereto.

18 (d) A system member may not simultaneously be a member of the
19 pre-2014 plan and the plan established pursuant to this act. A period of
20 service may not be credited in more than one retirement plan within the
21 system.

22 (e) The board of trustees of the Kansas public employees retirement
23 system shall administer the provisions of this act in the same manner as the
24 board administers the provisions of K.S.A. 74-4901 *et seq.*, and
25 amendments thereto, except as specifically provided in this act.

26 (f) Unless specifically provided in this act, the provisions of K.S.A.
27 74-4901 *et seq.*, and amendments thereto, shall be applicable to this act. In
28 an event that a conflict exists between the provisions of this act and the
29 provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, the
30 provisions of this act shall control, and to that end, no legal or contractual
31 rights shall inure to the benefit of members or participating employers
32 under this act with regard to the provisions of K.S.A. 74-4901 *et seq.*, and
33 amendments thereto, when the provisions of this act control.

34 (g) Each participating employer as provided in this act and each
35 employee as defined by this act shall be subject to the provisions of this
36 act as specified in this act and subject to the provisions of K.S.A. 74-4901
37 *et seq.*, and amendments thereto, as appropriate as to terms, conditions and
38 requirements not specifically covered in this act. The provisions of this act
39 shall not apply to members of the Kansas public employees retirement
40 system as provided in K.S.A. 74-4901 *et seq.*, and 74-49,201 *et seq.*, and
41 amendments thereto, employed by a participating employer prior to
42 January 1, 2014, unless otherwise provided in this act.

43 (h) The provisions of this act shall be part of and supplemental to the

1 provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, subject to
2 the limitations contained in this act.

3 New Sec. 2. (a) Terms that are used in this act have the meanings set
4 forth for them in K.S.A. 74-4902, and amendments thereto, unless
5 otherwise provided or the context otherwise requires.

6 (b) As used in this act, unless otherwise provided or the context
7 otherwise requires:

8 (1) "Act" means the Kansas public employees retirement system act
9 of 2014, section 1 *et seq.*, and amendments thereto;

10 (2) "active member" means a member who is actively employed by a
11 participating employer;

12 (3) "403(b) plan" means an investment alternative offered to
13 qualifying public school, community college employees and other eligible
14 employees as allowed under section 403(b) of the internal revenue code.
15 The 403(b) plan shall be comprised of tax deferred annuities described in
16 section 403(b) of the internal revenue code, including custodial accounts
17 described in section 403(b)(7) of the internal revenue code;

18 (4) "employee directed account" means the account established for a
19 member under section 3, and amendments thereto;

20 (5) "employer annuity account" means the account established for a
21 member under section 3, and amendments thereto;

22 (6) "member" means an individual who is required by section 1, and
23 amendments thereto, to be a member of the plan. The term also includes
24 any survivor or beneficiary of such member;

25 (7) "normal retirement age" means the attainment of age 65, except
26 that for security officers, normal retirement age means the attainment of
27 age 55;

28 (8) "plan" means the plan established within the Kansas public
29 employees retirement system by section 3, and amendments thereto;

30 (9) "pre-2014 plan" means the plan established pursuant to K.S.A.
31 74-4901 *et seq.*, and amendments thereto, and K.S.A. 74-49,201 *et seq.*,
32 and amendments thereto; and

33 (10) "system" means the Kansas public employees retirement system.

34 New Sec. 3. (a) The board shall establish within the Kansas public
35 employees retirement system a plan in accordance with the provisions of
36 this act. In addition to other options provided under such plan, for
37 qualifying public school employees, community college employees and
38 other eligible employees, the plan shall include all plan options as allowed
39 under section 403(b) of the internal revenue code. For all other
40 employees, the plan must be established as part of the pension plan
41 pursuant to K.S.A. 74-4920, and amendments thereto, for the exclusive
42 benefit of members and their beneficiaries, and as a qualified
43 governmental plan pursuant to sections 401(a), 414(d), and 414(k) of the

1 federal internal revenue code and its implementing regulations. The plan is
2 established in addition to any retirement, pension, deferred compensation
3 or other benefit plan currently administered by the state or a political
4 subdivision thereof. Assets of the plan must be held in the trust for the
5 Kansas public employees retirement system.

6 (b) (1) For members who are qualifying public school employees,
7 community college employees and other eligible employees, the board
8 shall establish separate accounts for employee contributions of each
9 member. These separate accounts shall be administered as a defined
10 contribution plan as provided by section 403(b) of the federal internal
11 revenue code and implementing regulations.

12 (2) For all other members, the board shall establish separate accounts
13 for the mandatory contributions of each member. These separate accounts
14 shall be administered in the nature of a defined contribution plan as
15 provided by section 414(k) of the federal internal revenue code and
16 implementing regulations.

17 (3) Accounts described in both subsection (b)(1) and (b)(2) shall be
18 referred to as the employee directed accounts.

19 (c) The board shall establish for each member an employer annuity
20 account, which shall be credited with employer credits as provided
21 pursuant to section 10, and amendments thereto, and interest credits on
22 those employer contribution credits as determined by the board under
23 section 11, and amendments thereto. The employer annuity account shall
24 be used to determine a lump-sum distribution or an annuity for the
25 member upon retirement as provided in section 13, and amendments
26 thereto.

27 New Sec. 4. (a) The board has the powers and shall perform the
28 duties regarding the plan as provided in K.S.A. 74-4909, and amendments
29 thereto, as applicable. The board may exercise the powers and shall
30 perform the duties provided in this act.

31 (b) The board may contract for any aspect of plan administration and
32 must use a competitive proposal process when contracting for consulting,
33 educational, investment, recordkeeping or other administrative services for
34 the plan.

35 New Sec. 5. (a) For participants in the 403(b) plan, up to the
36 amount allowed by the internal revenue code, each participating employer
37 shall make a mandatory contribution of 6% of an eligible employee's
38 compensation to the 403(b) plan for participants in such plan. Eligible
39 employees for the 403(b) plan may contribute an additional, discretionary
40 contribution through payroll deductions on a pre-tax or after-tax basis.
41 The 403(b) plan shall comply with all applicable provisions of the internal
42 revenue code.

43 (b) For all other members, up to the amount allowed by the internal

1 revenue code, each active member shall make a mandatory contribution of
2 6% of the member's compensation to the member's employee directed
3 account in the 401(a) plan. These contributions shall be picked up by the
4 employer via a salary reduction as provided in section 414(h)(2) of the
5 federal internal revenue code. An employer may not pick up these
6 contributions without a corresponding salary reduction as provided in
7 section 414(h)(2) of the federal internal revenue code. A member under
8 this subsection may not make voluntary contributions to the plan. The
9 401(a) plan shall comply with all applicable provision of the internal
10 revenue code.

11 (c) A member's employee directed account includes the member's
12 mandatory contributions under this section, and the gains and losses on
13 those contributions. The member's employee directed account is vested
14 from the date the employee becomes a member of the plan.

15 New Sec. 6. (a) A wide range of investment alternatives shall be
16 established for the employee directed accounts. For qualifying public
17 school employees, community college employees and other eligible
18 employees, such investment alternatives shall include, but not be limited
19 to, investment alternatives as allowed under section 403(b) of the federal
20 internal revenue code. For all employees, there also shall be offered an
21 investment alternative that is similar to the investment portfolio of the
22 Kansas public employees retirement system.

23 (b) The board shall from time to time review the suitability and
24 management of investment alternatives under the employee directed
25 accounts and may change the alternatives to be offered. The board shall
26 notify affected members of potential changes before any changes become
27 effective, except if the board determines there is a compelling need to
28 change an alternative immediately.

29 (c) The default option for any member or beneficiary who does not
30 have an effective investment direction shall be the fund that is similar to
31 the investment portfolio of KPERS.

32 (d) Assets within each employee directed account must be invested as
33 directed by the member within the investment alternatives established by
34 the board, unless the board determines there is a compelling need to
35 remove assets from an investment alternative. In such a case, the asset will
36 be moved to the default alternative until the member elects another
37 investment alternative.

38 New Sec. 7. (a) With respect to the employee directed accounts, the
39 board may:

40 (1) Assess fees on member employee directed accounts to pay the
41 reasonable administrative costs of the accounts, which fees may be
42 reasonable or asset based fees, or both, as determined by the board;

43 (2) negotiate with a vendor or vendors for vendor reimbursement of

- 1 board administrative expenses for the accounts;
- 2 (3) assess fees on employers to pay reasonable administrative costs of
3 the accounts; and
- 4 (4) assess specific fees on an individual member employee directed
5 account to pay specific expenses attributable to that member.
- 6 (b) All fees assessed must be fully disclosed to members and treated
7 as public information.
- 8 (c) Costs for the board to secure investment advice, recordkeeping,
9 contract oversight, educational materials for members, performance
10 evaluations and other appropriate information and services are included as
11 part of the administrative expenses of the plan.
- 12 New Sec. 8. The board shall establish a rollover account for each
13 member and shall accept the rollover of contributions and the income on
14 those contributions from another eligible retirement plan to the member's
15 rollover account only to the extent allowed under applicable federal law.
16 The board shall establish policies with respect to the rollover accounts as
17 to investments, distributions and other administrative matters.
- 18 New Sec. 9. (a) An employer credit shall be made to the member's
19 employer annuity account at the end of each calendar quarter according to
20 the following schedule:
- 21 (1) One percent of compensation for each member who has up to one
22 year of service;
- 23 (2) one and one-half percent of compensation for each member who
24 has one but less than two years of service;
- 25 (3) two percent of compensation for each member who has two but
26 less than three years of service;
- 27 (4) two and one-half percent of compensation for each member who
28 has three but less than four years of service;
- 29 (5) three percent of compensation for each member who has four but
30 less than five years of service;
- 31 (6) three and one-half percent of compensation for each member who
32 has five but less than six years of service;
- 33 (7) four percent of compensation for each member who has six but
34 less than seven years of service;
- 35 (8) four and one-half percent of compensation for each member who
36 has seven but less than eight years of service; and
- 37 (9) five percent of compensation for each member who has eight or
38 more years of service.
- 39 (b) An active member's employer shall contribute a percentage of
40 compensation, determined by the board, which must be allocated to the
41 death and long-term disability plan under K.S.A. 74-4927, and
42 amendments thereto.
- 43 (c) Any credited service accrued by a member under the provisions of

1 the pre-2014 plan shall be credited for the purpose of computing such
2 member's years of service under this section.

3 New Sec. 10. (a) A member's employer annuity account is the sum of
4 all employer credits to the account plus the interest credits on the account,
5 which shall be determined at the end of each year. The interest credits shall
6 be determined under section 11, and amendments thereto.

7 (b) If the member's employer annuity account is not vested upon the
8 member's termination of plan membership, as provided in section 13, and
9 amendments thereto, the employer credits and interest credits are forfeited
10 as provided in section 13, and amendments thereto. If the member's
11 employer annuity account is vested upon the member's termination of plan
12 membership, as provided in section 13, and amendments thereto, but the
13 member dies prior to attaining normal retirement age without a spouse
14 eligible for the employer annuity account under section 13, and
15 amendments thereto, the employer credits and interest credits are forfeited.
16 Forfeitures may not be used to increase a member's account, but instead
17 will be used to pay administrative expenses of the accounts or to reduce
18 employer contributions.

19 New Sec. 11. At the end of each calendar year, the board shall credit
20 each employer annuity account with a zero percent interest credit. At the
21 end of each calendar year, the board shall also credit each employer
22 annuity account with a supplemental interest credit rate, which will equal
23 the net investment return on the KPERS portfolio, which may be negative
24 or positive, in that particular calendar year. If the member retires in the
25 middle of a calendar year, the board shall credit that member's employer
26 annuity account with a supplemental interest credit rate that equals the net
27 investment return on the KPERS portfolio, which may be negative or
28 positive, for that portion of that calendar year. For the purposes of
29 determining the member's annuity benefit amount pursuant to section 13,
30 and amendments thereto, a member's employer annuity account shall not
31 be less than the total amount of employer credits to the account.

32 New Sec. 12. (a) Any time after termination of service or death, a
33 member or the member's beneficiary may file a written application with
34 the board and take a distribution of the member's employee directed
35 account from the plan through any combination of the following payout
36 options, each of which is subject to the applicable provisions of the federal
37 internal revenue code and the applicable regulations of the internal
38 revenue service:

39 (1) A direct rollover to an eligible retirement plan;
40 (2) a lump-sum distribution; or
41 (3) an optional form of periodic distribution offered by the board by
42 official action.

43 (b) The board by official action may specify minimum account

1 balances for purposes of allowing benefit payment options and rollovers in
2 accordance with federal law.

3 New Sec. 13. (a) A member is vested, but subject to forfeiture, in the
4 member's employer annuity account upon completion of five years of
5 service. A member's benefit is nonforfeitable upon the attainment of
6 normal retirement age and the completion of at least five years of service,
7 whichever is later.

8 (b) Except as provided in subsection (d), a member who has a
9 nonforfeitable interest in the member's employer annuity account, at any
10 time after termination from service and the attainment of normal
11 retirement age, shall receive an annuity that may be provided by employer
12 credits and income credits in the employer annuity account, using factors
13 established by the board by official action as of the member's annuity start
14 date, and based on the pension benefits guaranty corporation distress
15 termination interest rates. The normal form of benefit shall be a single life
16 annuity with five-year certain. The member may elect any joint and
17 survivor option described in K.S.A. 74-4918, and amendments thereto.

18 (c) Except as provided in subsection (d), in the case of an active or
19 inactive member:

20 (1) Who is vested in the member's employer annuity account;

21 (2) who has 10 or more years of service at death; and

22 (3) who dies before attaining normal retirement age, with their spouse
23 at time of death designated as their sole primary beneficiary, the member's
24 surviving spouse on and after the date the member would have attained
25 normal retirement age had they not died, shall receive an annuity that may
26 be provided by employer credits and income credits in the employer
27 annuity account, using factors established by the board by official action as
28 of the beneficiary's annuity start date and taking into consideration the
29 pension benefit guaranty corporation distress termination interest rates.
30 The normal form of benefit shall be a single life annuity with five-year
31 certain. The beneficiary may elect any joint and survivor option as
32 described in K.S.A. 74-4918, and amendments thereto.

33 (d) If a member's vested employer annuity account is less than \$1,000
34 upon separation from service, the account balance shall be mandatorily
35 distributed to the member in accordance with section 401(a)(31)(B) of the
36 federal internal revenue code. If the member does not elect to have such
37 distribution paid directly to an eligible retirement plan specified by the
38 participant in a direct rollover or to receive the distribution directly, then
39 the board will pay the distribution to the member directly.

40 New Sec. 14. A member's beneficiary must be determined as
41 provided in the pre-2014 plan regulations. Upon filing a written
42 application with the board after the death of a member, the member's
43 beneficiary is entitled to the member's employee directed account.

1 New Sec. 15. (a) Members of the retirement system under the
2 Kansas public employees retirement system act of 2014 shall be covered in
3 the death and disability plan in accordance with K.S.A. 74-4927, and
4 amendments thereto, but subject to the provisions of this section.

5 (b) (1) In the event that a member becomes eligible for and begins
6 receiving a long-term disability benefit under the plan, such member shall
7 be given participating service credit for the entire period of such disability.
8 Such member's employer annuity account shall be credited with the
9 amount of credits and interest prescribed in this act for the entire period of
10 such disability.

11 (2) The salary upon which credits to such member's employer annuity
12 account are based shall be the employee's salary at the time of disability,
13 which shall be adjusted once each year on January 1, but only after 5 years
14 of disability, by the lesser of: (A) The percentage increase in the
15 consumer price index for all urban consumers as published by the bureau
16 of labor statistics of the United States department of labor measured in the
17 prior November, minus 1%; or

18 (B) 4% per annum.

19 (3) All credits to the employer annuity account shall cease upon the
20 earliest of: (A) Death; (B) attainment of normal retirement age; or
21 (C) the date the member is no longer entitled to receive disability
22 benefits pursuant to law.

23 New Sec. 16. The provisions of K.S.A. 74-49,122, 74-49,123 and 74-
24 49,124, and amendments thereto, apply to this act, except the definitions of
25 "actuarial equivalent" and "actuarial computation" are not applicable to
26 this act.

27 New Sec. 17. (a) The election provisions of this section and any
28 related provisions shall not be implemented until the board of trustees of
29 the Kansas public employees retirement system has obtained approval for
30 the election and related provisions specified in this section from the federal
31 internal revenue service. The election provisions of this section and any
32 related provisions are severable from the remainder of this act and shall be
33 repealed if the federal internal revenue service refuses to grant such
34 approval or issues an adverse decision.

35 (b) Except as otherwise provided in this act, a nonvested member of
36 the system under the provisions of K.S.A. 74-4901 *et seq.*, and 74-49,201
37 *et seq.*, and amendments thereto, on July 1, 2013, shall elect to transfer
38 such member's employee contributions and interest earnings credited
39 thereon to an: (1) Employee directed account; or (2) employer annuity
40 account. As part of this election, a member may designate all or part of
41 such member's employee contributions and interest earnings to be
42 allocated to each account. Members shall make such election within a 90-
43 day period established by the board. Elections made pursuant to this

1 section shall be made on a form and in a manner prescribed by the board.
2 An election under this section, including the provisions of subsection (c),
3 is a one-time irrevocable election.

4 (c) If a member fails to make an election pursuant to this section or if
5 the federal internal revenue service refuses to grant approval of such
6 election or issues an adverse decision, such member's employee
7 contributions and interest earnings shall be transferred to an employee
8 directed account.

9 New Sec. 18. (a) Any member of the legislature who has earned a
10 vested retirement benefit under the provisions of K.S.A. 74-4901 *et seq.*,
11 and amendments thereto, or K.S.A. 74-49,201 *et seq.*, and amendments
12 thereto, shall have the present value of such vested retirement benefit,
13 including all employee and employer contributions, earned before January
14 1, 2014, converted to a lump-sum amount and shall have such lump-sum
15 amount transferred to the employer annuity account of such member.

16 (b) On and after January 1, 2014, any benefit earned or accrued by a
17 member of the legislature under the provisions of this act shall be
18 calculated based only upon all compensation received: (1) As per diem
19 compensation for service during a regular or special session of the
20 legislature pursuant to subsection (a) of K.S.A. 46-137a, and amendments
21 thereto; (2) as per diem compensation for attendance at in-state or out-
22 of-state meetings pursuant to K.S.A. 75-3212, 75-3215, or 75-3223, in the
23 amount prescribed under subsection (a) of K.S.A. 46-137a, and
24 amendments thereto; (3) as additional compensation for legislative officers
25 as provided in K.S.A. 46-137b, and amendments thereto; and (4) as any
26 other additional compensation provided by law, excluding any allowances
27 or reimbursements for any expenses incurred.

28 New Sec. 19. The provisions of sections 1 through 16 and section 18
29 and 19 shall be effective on and after January 1, 2014.

30 Sec. 20. K.S.A. 2011 Supp. 74-4914d is hereby amended to read as
31 follows: 74-4914d. Any additional cost resulting from the normal
32 retirement date and retirement before such normal retirement date for
33 security officers as provided in K.S.A. 74-4914c, and amendments thereto,
34 and disability benefits as provided in K.S.A. 74-4914e, and amendments
35 thereto, shall be added to the employer rate of contribution for the
36 department of corrections as otherwise determined under K.S.A. 74-4920,
37 and amendments thereto, ~~except that the employer rate of contribution for~~
38 ~~the department of corrections including any such additional cost added to~~
39 ~~such employer rate of contribution pursuant to this section shall in no~~
40 ~~event exceed the employer rate of contribution for the department of~~
41 ~~corrections for the immediately preceding fiscal year by more than the~~
42 ~~following amounts expressed as a percentage of compensation upon which~~
43 ~~security officers contribute during the period: (a) For the fiscal year~~

1 ~~commencing in calendar year 2006, an amount not to exceed more than~~
2 ~~0.5% of the amount of the immediately preceding fiscal year; and (b) for~~
3 ~~the fiscal year commencing in calendar year 2007, and in each subsequent~~
4 ~~calendar year, an amount not to exceed more than 0.6% of the amount of~~
5 ~~the immediately preceding fiscal year.~~

6 Sec. 21. *K.S.A. 2011 Supp. 74-4920 is hereby amended to read as*
7 *follows: 74-4920. (1) (a) Upon the basis of each annual actuarial valuation*
8 *and appraisal as provided for in subsection (3)(a) of K.S.A. 74-4908, and*
9 *amendments thereto, the board shall certify, on or before July 15 of each*
10 *year, to the division of the budget in the case of the state and to the agent*
11 *for each other participating employer an actuarially determined estimate of*
12 *the rate of contribution which will be required, together with all*
13 *accumulated contributions and other assets of the system, to be paid by*
14 *each such participating employer to pay all liabilities which shall exist or*
15 *accrue under the system, including amortization of the actuarial accrued*
16 *liability as determined by the board. The board shall determine the*
17 *actuarial cost method to be used in annual actuarial valuations, to*
18 *determine the employer contribution rates that shall be certified by the*
19 *board. Such certified rate of contribution, amortization methods and*
20 *periods and actuarial cost method shall be based on the standards set forth*
21 *in subsection (3)(a) of K.S.A. 74-4908, and amendments thereto and shall*
22 *not be based on any other purpose outside of the needs of the system.*

23 (b) (i) For employers affiliating on and after January 1, 1999, upon
24 the basis of an annual actuarial valuation and appraisal of the system
25 conducted in the manner provided for in K.S.A. 74-4908, and amendments
26 thereto, the board shall certify, on or before July 15 of each year to each
27 such employer an actuarially determined estimate of the rate of
28 contribution which shall be required to be paid by each such employer to
29 pay all of the liabilities which shall accrue under the system from and after
30 the entry date as determined by the board, upon recommendation of the
31 actuary. Such rate shall be termed the employer's participating service
32 contribution and shall be uniform for all participating employers. Such
33 additional liability shall be amortized as determined by the board. For all
34 participating employers described in this section, the board shall determine
35 the actuarial cost method to be used in annual actuarial valuations to
36 determine the employer contribution rates that shall be certified by the
37 board.

38 (ii) The board shall determine for each such employer separately an
39 amount sufficient to amortize all liabilities for prior service costs which
40 shall have accrued at the time of entry into the system. On the basis of
41 such determination the board shall annually certify to each such employer
42 separately an actuarially determined estimate of the rate of contribution
43 which shall be required to be paid by that employer to pay all of the

1 liabilities for such prior service costs. Such rate shall be termed the
2 employer's prior service contribution.

3 (2) The division of the budget and the governor shall include in the
4 budget and in the budget request for appropriations for personal services
5 the sum required to satisfy the state's obligation under this act as certified
6 by the board and shall present the same to the legislature for allowance and
7 appropriation.

8 (3) Each other participating employer shall appropriate and pay to the
9 system a sum sufficient to satisfy the obligation under this act as certified
10 by the board.

11 (4) Each participating employer is hereby authorized to pay the
12 employer's contribution from the same fund that the compensation for
13 which such contribution is made is paid from or from any other funds
14 available to it for such purpose. Each political subdivision, other than an
15 instrumentality of the state, which is by law authorized to levy taxes for
16 other purposes, may levy annually at the time of its levy of taxes, a tax
17 which may be in addition to all other taxes authorized by law for the
18 purpose of making its contributions under this act and, in the case of cities
19 and counties, to pay a portion of the principal and interest on bonds issued
20 under the authority of K.S.A. 12-1774, and amendments thereto, by cities
21 located in the county, which tax, together with any other fund available,
22 shall be sufficient to enable it to make such contribution. In lieu of levying
23 the tax authorized in this subsection, any taxing subdivision may pay such
24 costs from any employee benefits contribution fund established pursuant to
25 K.S.A. 12-16,102, and amendments thereto. Each participating employer
26 which is not by law authorized to levy taxes as described above, but which
27 prepares a budget for its expenses for the ensuing year and presents the
28 same to a governing body which is authorized by law to levy taxes as
29 described above, may include in its budget an amount sufficient to make
30 its contributions under this act which may be in addition to all other taxes
31 authorized by law. Such governing body to which the budget is submitted
32 for approval, may levy a tax sufficient to allow the participating employer
33 to make its contributions under this act, which tax, together with any other
34 fund available, shall be sufficient to enable the participating employer to
35 make the contributions required by this act.

36 (5) (a) The rate of contribution certified to a participating employer as
37 provided in this section shall apply during the fiscal year of the
38 participating employer which begins in the second calendar year following
39 the year of the actuarial valuation.

40 (b) (i) ~~Except as specifically provided in this section, for fiscal years~~
41 ~~commencing in calendar year 1996 and in each subsequent calendar year,~~
42 ~~the rate of contribution certified to the state of Kansas shall in no event~~
43 ~~exceed the state's contribution rate for the immediately preceding fiscal~~

1 year by more than 0.2% of the amount of compensation upon which
2 members contribute during the period.

3 (ii) ~~Except as specifically provided in this subsection, for the fiscal~~
4 ~~years commencing in the following calendar years, the rate of contribution~~
5 ~~certified to the state of Kansas and to the participating employers under~~
6 ~~K.S.A. 74-4931, and amendments thereto shall in no event exceed the~~
7 ~~state's contribution rate for the immediately preceding fiscal year by more~~
8 ~~than the following amounts expressed as a percentage of compensation~~
9 ~~upon which members contribute during the period: (A) For the fiscal year~~
10 ~~commencing in calendar year 2005, an amount not to exceed more than~~
11 ~~0.4% of the amount of the immediately preceding fiscal year; (B) for the~~
12 ~~fiscal year commencing in calendar year 2006, an amount not to exceed~~
13 ~~more than 0.5% of the amount of the immediately preceding fiscal year;~~
14 ~~and (C) for the fiscal year commencing in calendar year 2007 and in each~~
15 ~~subsequent calendar year, an amount not to exceed more than 0.6% of the~~
16 ~~amount of the immediately preceding fiscal year.~~

17 (iii) ~~Except as specifically provided in this section, for fiscal years~~
18 ~~commencing in calendar year 1997 and in each subsequent calendar year,~~
19 ~~the rate of contribution certified to participating employers other than the~~
20 ~~state of Kansas shall in no event exceed such participating employer's~~
21 ~~contribution rate for the immediately preceding fiscal year by more than~~
22 ~~0.15% of the amount of compensation upon which members contribute~~
23 ~~during the period.~~

24 (iv) ~~Except as specifically provided in this subsection, for the fiscal~~
25 ~~years commencing in the following calendar years, the rate of contribution~~
26 ~~certified to participating employers other than the state of Kansas shall in~~
27 ~~no event exceed the contribution rate for such employers for the~~
28 ~~immediately preceding fiscal year by more than the following amounts~~
29 ~~expressed as a percentage of compensation upon which members~~
30 ~~contribute during the period: (A) For the fiscal year commencing in~~
31 ~~calendar year 2006, an amount not to exceed more than 0.4% of the~~
32 ~~amount of the immediately preceding fiscal year; (B) for the fiscal year~~
33 ~~commencing in calendar year 2007, an amount not to exceed more than~~
34 ~~0.5% of the amount of the immediately preceding fiscal year; and (C) for~~
35 ~~the fiscal year commencing in calendar year 2008 and in each subsequent~~
36 ~~calendar year, an amount not to exceed more than 0.6% of the amount of~~
37 ~~the immediately preceding fiscal year.~~

38 (v) As part of the annual actuarial valuation, there shall be a separate
39 employer rate of contribution calculated for the state of Kansas, a separate
40 employer rate of contribution calculated for participating employers under
41 K.S.A. 74-4931, and amendments thereto, a combined employer rate of
42 contribution calculated for the state of Kansas and participating employers
43 under K.S.A. 74-4931, and amendments thereto, and a separate employer

1 rate of contribution calculated for all other participating employers.

2 ~~(vi)~~(ii) There shall be a combined employer rate of contribution
3 certified to the state of Kansas and participating employers under K.S.A.
4 74-4931, and amendments thereto. There shall be a separate employer rate
5 of contribution certified to all other participating employers.

6 ~~(vii)~~(iii) If the combined employer rate of contribution calculated for
7 the state of Kansas and participating employers under K.S.A. 74-4931, and
8 amendments thereto, is greater than the separate employer rate of
9 contribution for the state of Kansas, the difference in the two rates applied
10 to the actual payroll of the state of Kansas for the applicable fiscal year
11 shall be calculated. This amount shall be certified by the board for deposit
12 as additional employer contributions to the retirement benefit
13 accumulation reserve for the participating employers under K.S.A. 74-
14 4931, and amendments thereto.

15 (6) The actuarial cost of any legislation enacted in the 1994 session of
16 the Kansas legislature will be included in the June 30, 1994, actuarial
17 valuation in determining contribution rates for participating employers.

18 (7) The actuarial cost of the provisions of K.S.A. 74-4950i, *and*
19 *amendments thereto*, will be included in the June 30, 1998, actuarial
20 valuation in determining contribution rates for participating employers.
21 The actuarial accrued liability incurred for the provisions of K.S.A. 74-
22 4950i, *and amendments thereto*, shall be amortized over 15 years.

23 (8) Except as otherwise provided by law, the actuarial cost of any
24 legislation enacted by the Kansas legislature, except the actuarial cost of
25 K.S.A. 74-49,114a, and amendments thereto, shall be in addition to the
26 employer contribution rates certified for the employer contribution rate in
27 the fiscal year immediately following such enactment.

28 (9) Notwithstanding the provisions of subsection (8), the actuarial
29 cost of the provisions of K.S.A. 74-49,109 *et seq.*, and amendments
30 thereto, shall be first reflected in employer contribution rates effective with
31 the first day of the first payroll period for the fiscal year 2005. The
32 actuarial accrued liability incurred for the provisions of K.S.A. 74-49,109
33 *et seq.*, and amendments thereto, shall be amortized over 10 years.

34 (10) The cost of the postretirement benefit payment provided
35 pursuant to the provisions of K.S.A. 2011 Supp. 74-49,114b, and
36 amendments thereto, for retirants other than local retirants as described in
37 subsection (11) or insured disability benefit recipients shall be paid in the
38 fiscal year commencing on July 1, 2007.

39 (11) The actuarial accrued liability incurred for the provisions of
40 K.S.A. 2011 Supp. 74-49,114b, and amendments thereto, for the KPERS
41 local group and retirants who were employees of local employers which
42 affiliated with the Kansas police and firemen's retirement system shall be
43 amortized over 10 years.

1 (12) The cost of the postretirement benefit payment provided
2 pursuant to the provisions of K.S.A. 2011 Supp. 74-49,114c, and
3 amendments thereto, for retirants other than local retirants as described in
4 subsection (13) or insured disability benefit recipients shall be paid in the
5 fiscal year commencing on July 1, 2008.

6 (13) The actuarial accrued liability incurred for the provisions of
7 K.S.A. 2011 Supp. 74-49,114c, and amendments thereto, for the KPERS
8 local group and retirants who were employees of local employers which
9 affiliated with the Kansas police and firemen's retirement system shall be
10 amortized over 10 years.

11 (14) The board with the advice of the actuary may fix the contribution
12 rates for participating employers joining the system after one year from the
13 first entry date or for employers who exercise the option contained in
14 K.S.A. 74-4912, and amendments thereto, at rates different from the rate
15 fixed for employers joining within one year of the first entry date.

16 (15) For employers affiliating on and after January 1, 1999, the rates
17 of contribution certified to the participating employer as provided in this
18 section shall apply during the fiscal year immediately following such
19 certification, but the rate of contribution during the first year following the
20 employer's entry date shall be equal to 7% of the amount of compensation
21 on which members contribute during the year. Any amount of such first
22 year's contribution which may be in excess of the necessary current service
23 contribution shall be credited by the board to the respective employer's
24 prior service liability.

25 (16) Employer contributions shall in no way be limited by any other
26 act which now or in the future establishes or limits the compensation of
27 any member.

28 (17) Notwithstanding any provision of law to the contrary, each
29 participating employer shall remit quarterly, or as the board may otherwise
30 provide, all employee deductions and required employer contributions to
31 the executive director for credit to the Kansas public employees retirement
32 fund within three days after the end of the period covered by the
33 remittance by electronic funds transfer. Remittances of such deductions
34 and contributions received after such date are delinquent. Delinquent
35 payments due under this subsection shall be subject to interest at the rate
36 established for interest on judgments under subsection (a) of K.S.A. 16-
37 204, and amendments thereto. At the request of the board, delinquent
38 payments which are due or interest owed on such payments, or both, may
39 be deducted from any other moneys payable to such employer by any
40 department or agency of the state.

41 New Sec. 22. Any purchase of service credit which was commenced
42 prior to July 1, 2013, is not subject to the provisions of this act.

43 Sec. 23. K.S.A. 74-4919a, 74-4919g, 74-4919i, 74-4919k, 74-4919n,

1 74-4919p, 74-4919q, 74-4919r and 74-4919s and K.S.A. 2010 Supp. 74-
2 4919d, as amended by section 1 of chapter 98 of the 2011 Session Laws of
3 Kansas and 74-4920, as amended by section 4 of chapter 98 of the 2011
4 Session Laws of Kansas and K.S.A. 2011 Supp. 74-4914d, 74-4919h, 74-
5 4919j, 74-4919l, 74-4919m, 74-4919o, 74-4919u, 74-4919v and 74-4920
6 are hereby repealed.

7 Sec. 24. This act shall take effect and be in force from and after July 1,
8 2013, and its publication in the statute book.